



全创资本

OMNI CAPITAL PARTNERS

Investment Newsletter

July 2023

“ Omni Alpha: ”
Profit From Disruptions

Why Omni Investment Services



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By entrusting us with your investments via this **discretionary mandate offering**, you can relieve yourself from the day-to-day burden of managing your assets, allowing you to have more time for other meaningful pursuits.

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Your investments will be **expertly and professionally managed** according to your specific investment goals and risk tolerance, whether investing in private, public or both. Besides, your investment will be supported with timely updates and meaningful reporting to make sure you are well informed.

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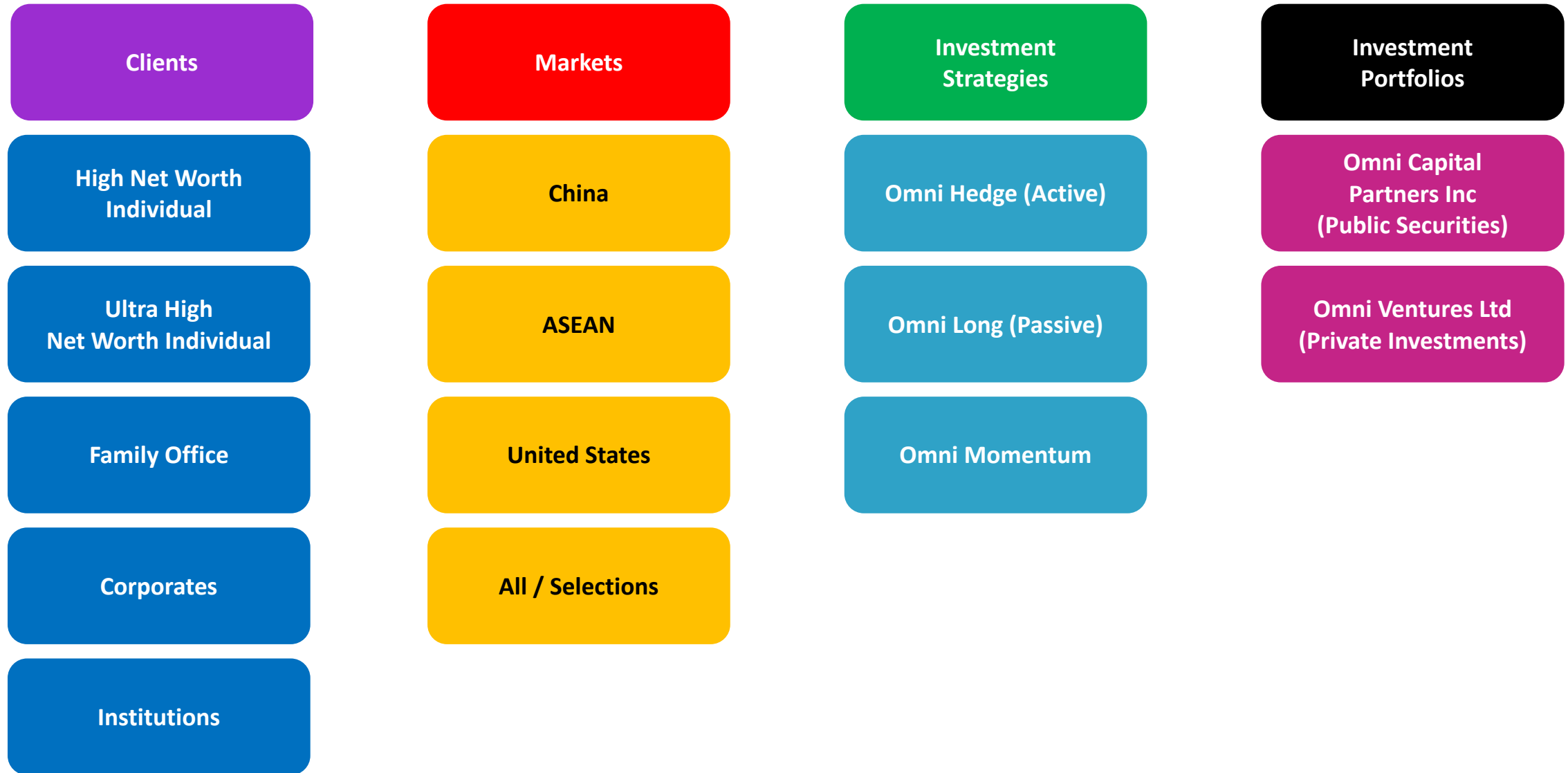
Experienced with
Impressive Track
Records

Different Approach,
Perspective and
Ideas

Global Investing
with focus on
China, ASEAN, and
United States

Thematic Investing
with focus on
Disruptive
Technology

Omni Investment Advisory



Omni Investment Focus



Asset Classes

Public Securities:

- Public Equity
- Digital Assets
- Forex
- Commodities

Private Investments:

- Startups
- Venture Capital
- Private Equity
- Direct Investments

Investment Review and Outlook



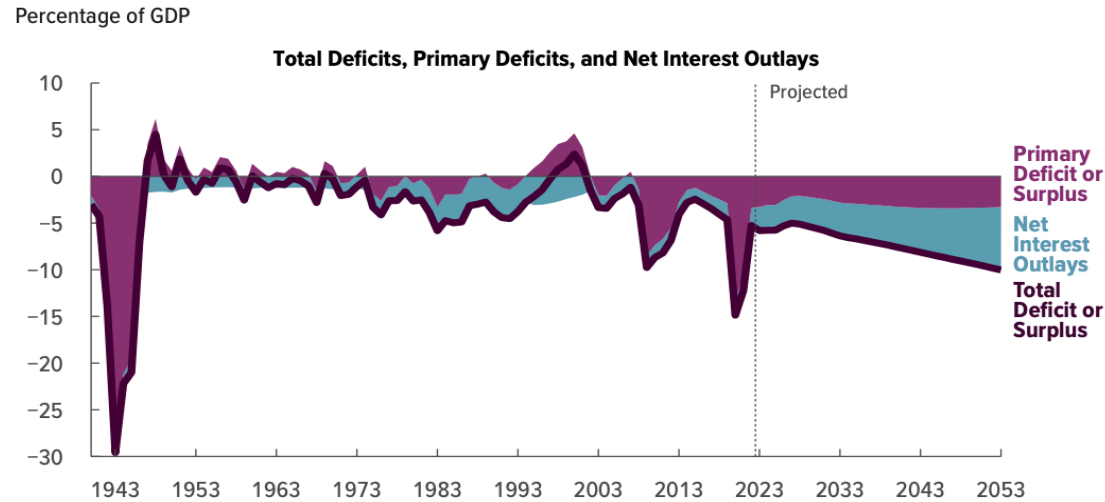
- Moody's remains the last of the three major credit rating agencies to maintain a top rating for the United States, after Fitch cut the sovereign rating early August and Standard & Poor's lowered it in 2011. Particularly, Fitch Ratings downgrades the US credit rating to 'AA+' from 'AAA' due to expected fiscal deterioration and high government debt burden. Fitch pointed out the expected fiscal deterioration over the next three years along with a high and growing general government debt burden.
- Fitch observed that the US government lacks a medium-term fiscal framework, unlike most peers, and has a complex budgeting process. These factors, along with several economic shocks as well as tax cuts and new spending initiatives, have contributed to successive debt increases over the last decade. Additionally, there has been only limited progress in tackling medium-term challenges related to rising social security and Medicare costs due to an ageing population.
- According to Fitch projections, tighter credit conditions, weakening business investment, and a slowdown in consumption will push the US economy into a mild recession in 4Q23 and 1Q24.
- Fitch pointed out that over the next decade, higher interest rates and the rising debt stock will increase the interest service burden. Fitch expects one further hike to 5.5% to 5.75% by September. The rating agency said the resilience of the economy and the labour market are complicating the Fed's goal of bringing inflation towards its 2% target.

Investment Review and Outlook

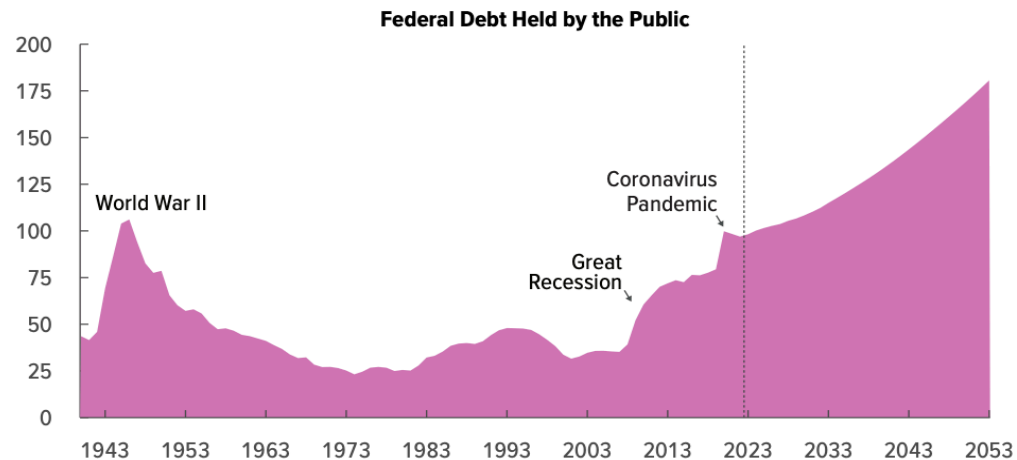


- Currently, it is vital to pay attention on the breadth in the US equity markets for signs of market over-extension or capitulation. Very few breadth indicators are flashing danger at the moment, but they are moving in that direction. The percentage of S&P stocks above their 200-day moving average is over 70%, lower than previous market peak of 95%, but it has risen quickly.
- The US national average 30-year fixed mortgage rate ended in July where it started before edging near 7% the first week of August. The median existing-home sales broke through \$400,000 for the first time in 2023, hitting \$410,200, the second-highest price ever recorded and is now poised to surpass the June 2022 all-time high of \$413,800. Despite high mortgage rates, the market remains as competitive as ever thanks to tight inventory supply.
- On the other hand, one major hurdle for CRE space is that "more than 50% of the USD 2.9 trillion in commercial mortgages will need to be renegotiated in the next 24 months when new lending rates are likely to be up by 350 to 450 basis points," Lisa Shalett, chief investment officer for Morgan Stanley Wealth Management, wrote in a note to clients. Shalett expects a "peak-to-trough CRE price decline of as much as 40%, worse than in the Great Financial Crisis." However, many analysts expect challenges in the CRE space but noted that they are manageable and do not represent a systemic risk to the US economy.

US Federal Deficit Would Increase Significantly In Relation To GDP



In CBO's projections, primary deficits exceed their historical 50-year average of 1.5% of GDP throughout the projection period. In 2053, the primary deficit equals 3.3% of GDP. Driven up by large and sustained primary deficits and by rising interest rates, net interest outlays reach 6.7% of GDP in 2053.



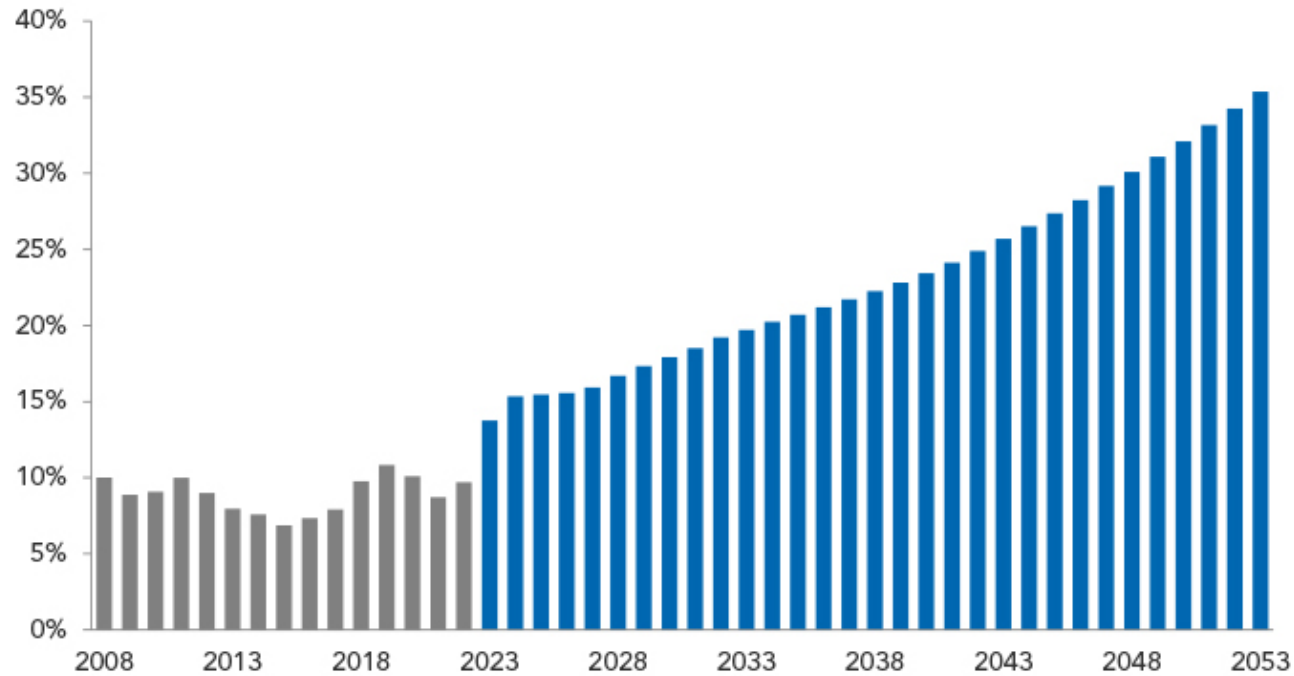
Growing deficits push federal debt held by the public, which is already high, further up throughout the 30-year period. Such debt reaches 181% of GDP in 2053—and would continue to rise thereafter.

Note: Information as of June 2023
Source: CBO

US Net Interest Cost Will Account for 35% of Federal Revenues By 2053



Net Interest (% of Revenues)

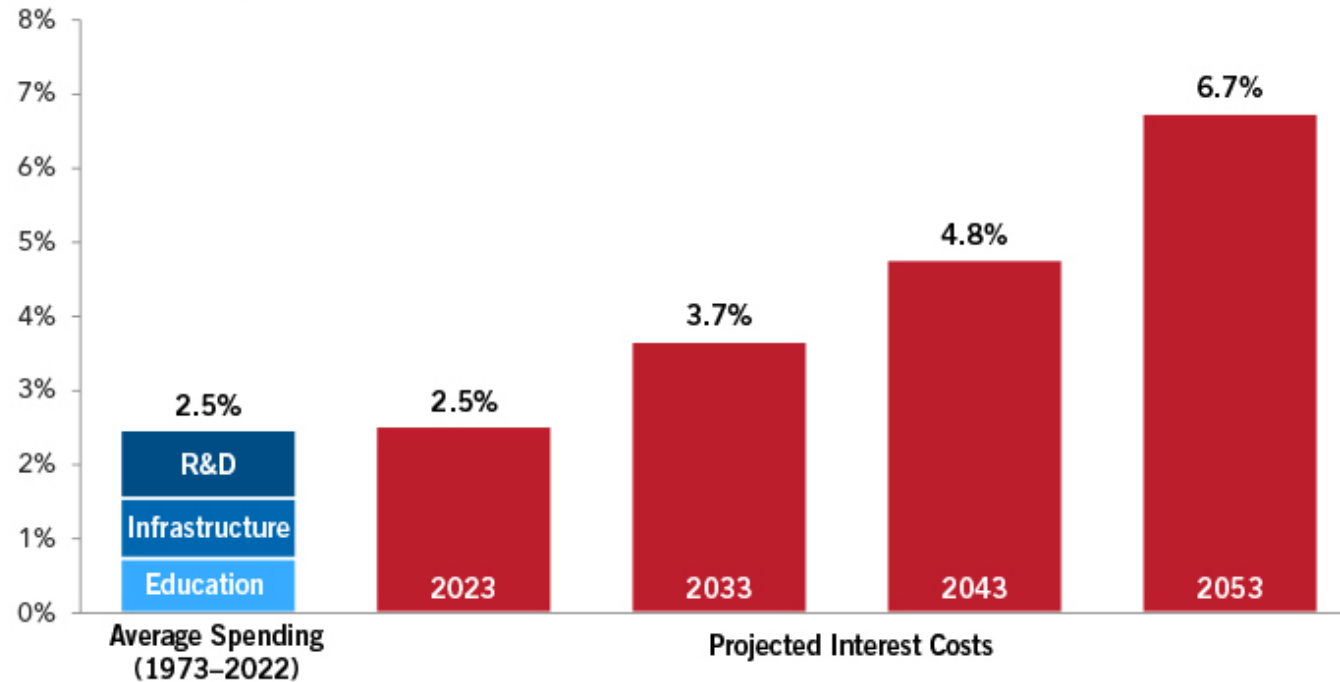


The growth in interest costs presents a significant challenge in the long-term as well. According to CBO's projections, interest payments would total around \$71 trillion over the next 30 years and would take up 35 percent of all federal revenues by 2053. Interest costs would also become the largest "program" over the next few decades, surpassing defense spending in 2029, Medicare in 2046, and Social Security in 2051.

Note: Information as of 26 July 2023
Source: CBO, Peter G. Peterson Foundation

By 2053, US Interest Costs Nearly 3 Times Spent on R&D, Infrastructure, & Education Combined

Federal Spending (% of GDP)

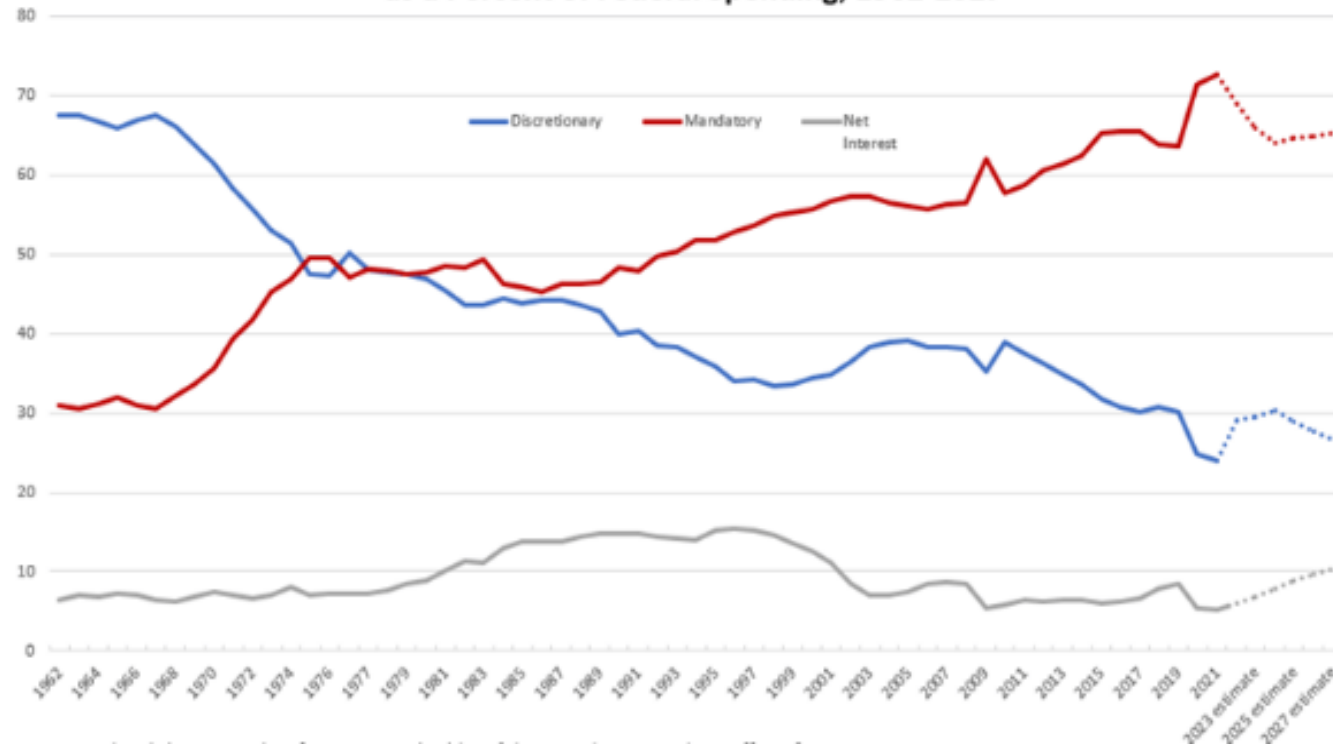


Ballooning interest costs threaten to crowd out important public investments that can fuel economic growth in the future. CBO estimates that by 2053, interest costs are projected to be nearly three times what the federal government has historically spent on R&D, nondefense infrastructure, and education, combined.

Note: Information as of 26 July 2023
Source: CBO, Peter G. Peterson Foundation

<30% for US Discretionary Spending

Discretionary, Mandatory, and Net Interest Spending
as a Percent of Federal Spending, 1962-2027



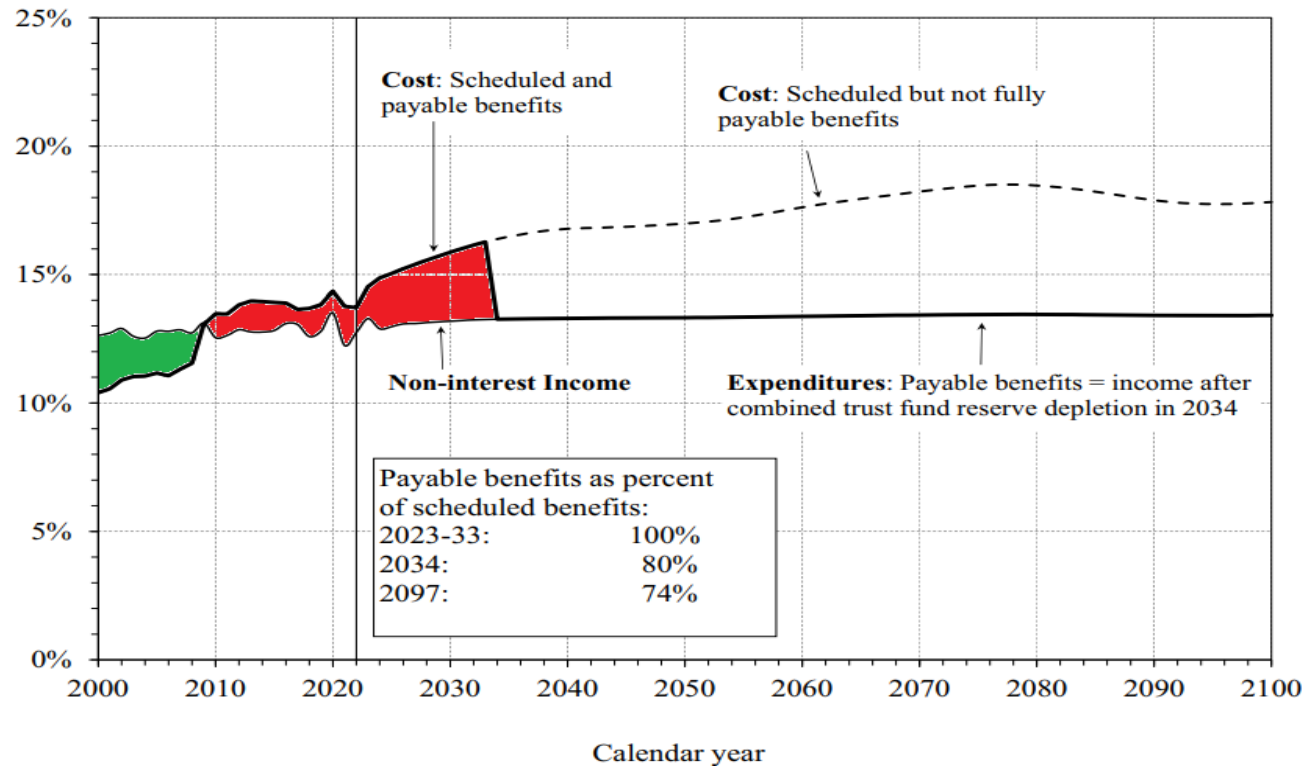
Discretionary spending from the annual appropriations process has been steadily declining over the last sixty years. In 1962, Congress controlled 67 percent of its budget, but by 1990 that share was down to 40%, and it has now reached an all-time low of 24% in 2021.

Meanwhile, mandatory spending on Social Security, Medicare and other so-called “entitlement” programs went from 21% of the budget in 1962 to a high of 72% in 2021. Spending on these programs is not literally mandatory. Congress could decide to actively budget these programs each year. But until that happens, spending on these programs automatically increases each year without congressional vote or appropriation.

Note: Information as of 4 July 2023
Source: AIER

Social Security Costs Further Weigh on US Government's Fiscal Outlook

OASDI Income, Cost, and Expenditures as Percentages of Taxable Payroll
[Under intermediate assumptions]



Social Security's Trustees reported that the trust fund, which supports about one-fifth of today's Social Security payments, will run out of money at the end of 2033. Every American who receives retirement or disability benefits will see them reduced by 20%. The program will still be able to pay out 80% of its benefits using what it collects through its payroll taxes.

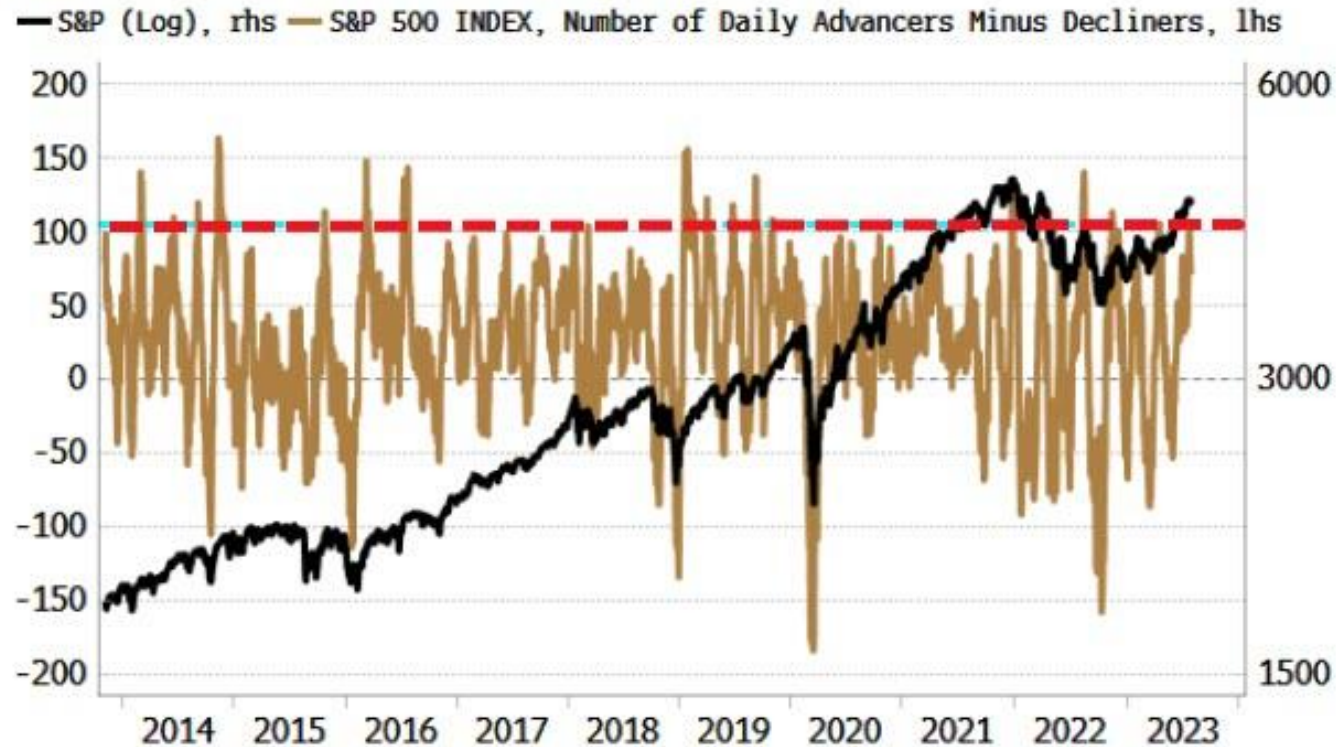
That will happen because the program has been running in the red. Since 2009, the program has paid out more benefits than it takes in through payroll taxes. It has taken money out of its Old Age and Survivors Insurance and Disability Insurance trust funds to make up the difference.

Here's the Trustee's 2023 report chart that shows that happening. The program was either running a surplus (green) or a deficit (red).

Note: Information as of 31 July 2023
Source: CBO, Peter G. Peterson Foundation

US Advance-decline Line Getting Stretched

Advance-Decline Line Getting Stretched



The advance-decline for the S&P line is also stretched, but not yet quite at alarm-bell levels. Similarly the number of stocks on the NYSE making new 52-week highs remains at moderate levels, but rising.

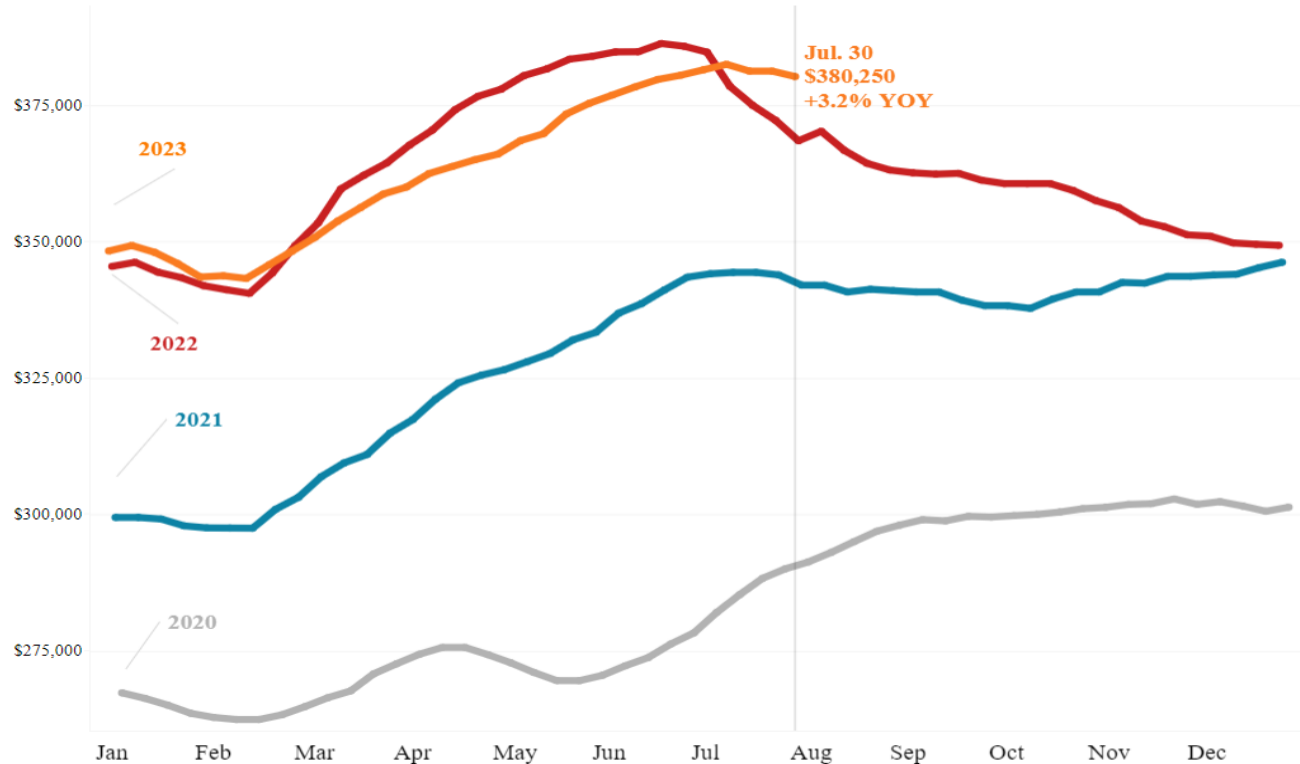
Breadth will be one signal to watch (among others) highlighting when stocks, vol and credit are liable to take a turn for the worse.

Note: Information as of 2 August 2023
Source: Bloomberg

Home Prices Keep Rising Due To Plunging Supply



Median Sale Price +3.2% Year Over Year
4-week rolling average of the median sale price of homes sold



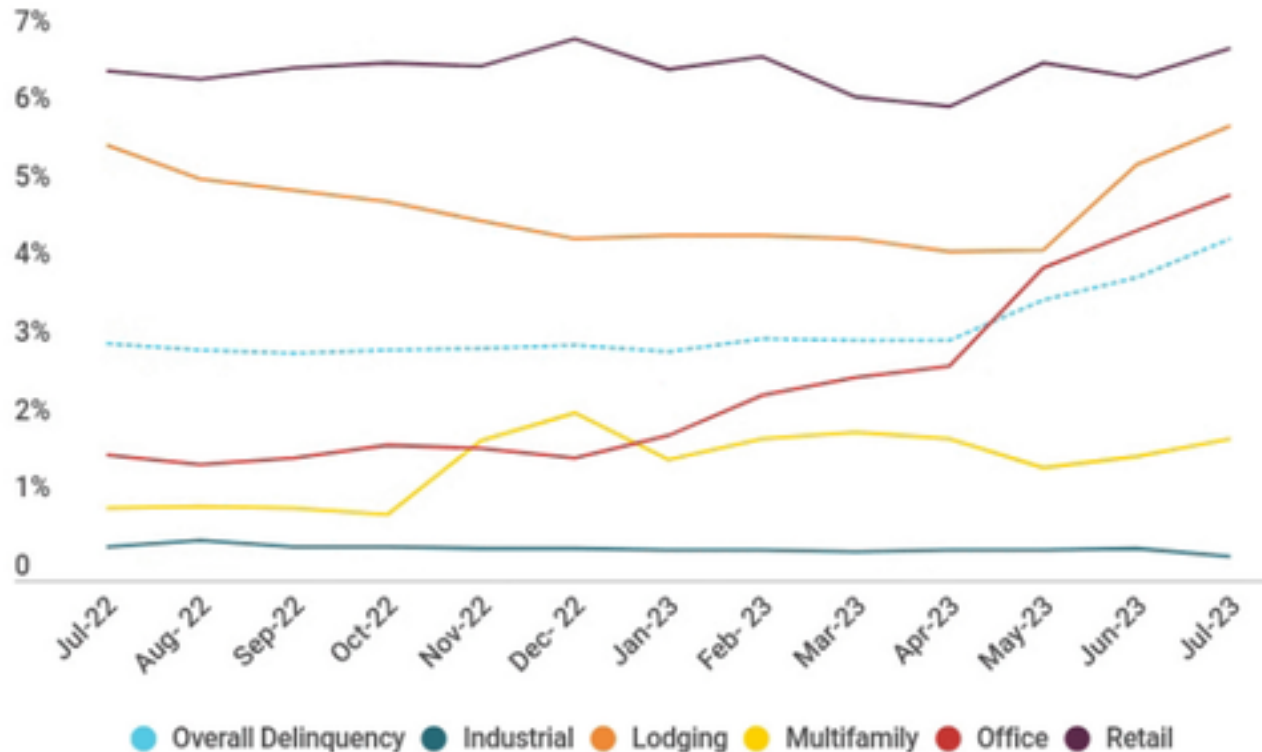
The housing payments remain historically high because mortgage rates remain elevated, with weekly average rates clocking in at 6.9% in the first week of August, and yet home prices continue to rise. Paradoxically, the median home-sale price is up 3.2% year over year, the biggest increase since November.

Home prices are increasing because of the mismatch between supply and demand. High mortgage rates have pushed many would-be sellers out of the market, with homeowners hanging onto their relatively low rates. The total number of homes for sale is down 19%, the biggest drop in a year and a half, and new listings are down 21%.

Note: Information as of 8 August 2023
Source: Redfin

Increasing Delinquency Rate in US Property Market

Delinquency Rates by Major Property Type



The latest data from Trepp, which tracks commercial mortgage-backed securities (CMBS) securities market data, shows the delinquency rate of commercial property loans packaged up by Wall Street jumped again in July, with four of the five major property segments posting increases.

Trepp data found the delinquency rate rose 51 basis points to 4.41% last month -- the highest level since December 2021. Office delinquencies increased by 46 basis points to 4.96% -- up more than 350 basis points since the end of 2022. The deterioration in the office segment is intensifying at an alarmingly rapid pace.

Note: Information as of 8 August 2023
Source: Trepp

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